



**Chuang's China Investments Limited**  
**(莊士中國投資有限公司)**

*(incorporated in Bermuda with limited liability)*

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED**  
**30TH SEPTEMBER, 2004**

## RESULTS

The Board of Directors of Chuang's China Investments Limited (the "Company") presents the interim report including the accounts of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2004. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30th September, 2004 and the consolidated balance sheet as at 30th September, 2004 along with the notes thereon, are set out on pages 1 to 10 of this report.

### Consolidated Profit and Loss Account

*For the six months ended 30th September, 2004*

		Unaudited	
		2004	2003
	Note	HK\$'000	HK\$'000
Turnover	2	28,308	28,295
Cost of sales		(19,720)	(16,054)
Gross profit		8,588	12,241
Other revenues		1,005	3,844
Distribution expenses		(264)	(297)
Administrative expenses		(17,338)	(17,405)
Other operating expenses		(528)	(1,121)
Operating loss	3	(8,537)	(2,738)
Finance costs		(2,161)	(3,454)
Share of results of associated companies	4	18,572	13,182
Profit before taxation		7,874	6,990
Taxation	5	(1,827)	(1,902)
Profit after taxation		6,047	5,088
Minority interests		127	67
Profit attributable to shareholders		6,174	5,155
Transfer to statutory reserve		—	(3)
Interim dividend		—	—
Earnings per share	6	HK 0.60 cents	HK 0.50 cents

**Consolidated Balance Sheet**  
*As at 30th September, 2004*

		<b>Unaudited 30th September, 2004 HK\$'000</b>	Audited 31st March, 2004 HK\$'000
	<i>Note</i>		
Non-current assets			
Fixed assets	7	<b>464,023</b>	468,842
Properties held for/under development		<b>1,199,136</b>	1,185,213
Associated companies		<b>132,865</b>	122,958
Investment securities		<b>95,626</b>	146,462
		<b>1,891,650</b>	1,923,475
Current assets			
Properties held for sale		<b>33,642</b>	22,013
Inventories		<b>3,963</b>	4,472
Debtors and prepayments	8	<b>27,922</b>	21,363
Cash and bank balances		<b>204,457</b>	184,221
		<b>269,984</b>	232,069
Current liabilities			
Creditors and accruals	9	<b>31,122</b>	28,493
Current portion of long-term borrowings	10	<b>6,000</b>	6,000
Taxation		<b>15,656</b>	15,656
Other provisions	11	<b>2,420</b>	2,420
		<b>55,198</b>	52,569
Net current assets		<b>214,786</b>	179,500
		<b>2,106,436</b>	2,102,975
Capital employed			
Share capital	12	<b>51,222</b>	51,222
Reserves		<b>1,457,888</b>	1,461,208
Shareholders' funds		<b>1,509,110</b>	1,512,430
Minority interests		<b>97,966</b>	85,185
Long-term borrowings	10	<b>233,000</b>	239,000
Deferred taxation		<b>235,366</b>	235,366
Other provisions	11	<b>30,994</b>	30,994
		<b>2,106,436</b>	2,102,975

## Consolidated Cash Flow Statement

For the six months ended 30th September, 2004

	Unaudited	
	2004	2003
	HK\$'000	HK\$'000
Net cash used in operating activities	(7,515)	(10,609)
Net cash from investing activities	45,509	3,960
Net cash used in financing activities	(17,992)	(18,769)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	20,002	(25,418)
Cash and cash equivalents at the beginning of the period	159,361	183,832
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	179,363	158,414
	<hr/>	<hr/>
Analysis of cash and cash equivalents		
Cash and bank balances	204,457	183,274
Bank deposits maturing more than three months from date of placement	(25,094)	(24,860)
	<hr/>	<hr/>
	179,363	158,414
	<hr/>	<hr/>

**Consolidated Statement of Changes in Equity**  
*For the six months ended 30th September, 2004*

	<b>Unaudited</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity at the beginning of the period	<b>1,512,430</b>	1,502,485
Exchange differences on translation of the financial statements of foreign subsidiaries	<b>750</b>	(5)
Profit attributable to shareholders	<b>6,174</b>	5,155
Dividend	<b>(10,244)</b>	(10,244)
Equity at the end of the period	<b><u>1,509,110</u></b>	<u>1,497,391</u>

Notes:

## 1. Principal accounting policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in conformity with Hong Kong Financial Reporting Standards.

The accounting policies adopted for the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31st March, 2004.

## 2. Turnover and segment information

The Group is principally engaged in property investment and development, manufacture and sales of watch components, securities investments and trading, and the provision of information technology services.

Analysis of the turnover and profit before taxation by business segments and geographical segments is as follows:

### (a) Business segments

	Property <i>HK\$'000</i>	Manufacturing <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Corporate and elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th September, 2004						
Turnover	6,166	19,953	62	-	2,127	28,308
Other revenues	<u>285</u>	<u>662</u>	<u>-</u>	<u>-</u>	<u>58</u>	<u>1,005</u>
Segment results	<u>918</u>	<u>(387)</u>	<u>(364)</u>	<u>-</u>	<u>(8,704)</u>	(8,537)
Finance costs						(2,161)
Share of results of associated companies	-	18,783	(211)	-	-	<u>18,572</u>
Profit before taxation						<u>7,874</u>

	Property HK\$'000	Manufacturing HK\$'000	Information technology HK\$'000	Securities trading HK\$'000	Corporate and elimination HK\$'000	Total HK\$'000
Six months ended 30th September, 2003						
Turnover	7,171	17,220	222	-	3,682	28,295
Other revenues	<u>478</u>	<u>516</u>	<u>-</u>	<u>2,849</u>	<u>1</u>	<u>3,844</u>
Segment results	<u>1,980</u>	<u>1,166</u>	<u>(274)</u>	<u>2,849</u>	<u>(8,459)</u>	<u>(2,738)</u>
Finance costs						(3,454)
Share of results of associated companies	-	13,248	(66)	-	-	<u>13,182</u>
Profit before taxation						<u><u>6,990</u></u>

(b) *Geographical segments*

	<b>Turnover</b> HK\$'000	<b>Operating profit/(loss)</b> HK\$'000
<b>Six months ended 30th September, 2004</b>		
Hong Kong	<b>26,750</b>	<b>(7,012)</b>
Mainland	<b>538</b>	<b>(1,602)</b>
Other countries	<b>1,020</b>	<b>77</b>
	<u><b>28,308</b></u>	<u><b>(8,537)</b></u>
<b>Six months ended 30th September, 2003</b>		
Hong Kong	25,395	(1,817)
Mainland	1,405	(1,185)
Other countries	1,495	264
	<u>28,295</u>	<u>(2,738)</u>

### 3. Operating loss

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000

Operating loss is stated after crediting and charging the following:

#### **Crediting**

Dividend income from unlisted preference shares	<b>1,228</b>	2,106
Net unrealised gain on other investments	<b>–</b>	2,849

#### **Charging**

Cost of properties and inventories sold	<b>18,699</b>	14,870
Depreciation	<b>5,110</b>	4,632
Staff costs, including directors' emoluments:		
– Wages and salaries	<b>7,789</b>	7,093
– Contribution to retirement schemes	<b>399</b>	374

### 4. Share of results of associated companies

The Group's share of results of associated companies for the six months ended 30th September, 2004 includes the amortisation of negative goodwill in respect of an associated company amounting to HK\$2,863,000 (2003: HK\$1,687,000).

### 5. Taxation

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Company and subsidiaries		
Current (overseas)	<b>16</b>	17
Associated companies		
Current (Hong Kong)	<b>1,811</b>	1,885
	<b>1,827</b>	1,902

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated profit for the period. Overseas taxation has been provided on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the companies operate.



## 6. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$6,174,000 (2003: HK\$5,155,000) and 1,024,439,690 shares in issue during the period.

## 7. Fixed assets

During the six months ended 30th September, 2004, the Group acquired fixed assets amounting to approximately HK\$299,000.

## 8. Debtors and prepayments

Rental and management fee are made on open account terms and payable in advance. Credit terms of the Group's sales of goods mainly ranged from 30 days to 90 days.

The ageing analysis of the Group's trade debtors is as follows:

	<b>30th September, 2004</b>	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	<b>3,184</b>	3,393
31 - 60 days	<b>3,067</b>	1,443
61 - 90 days	<b>1,359</b>	572
Over 90 days	<b>8,540</b>	9,442
	<u><b>16,150</b></u>	<u>14,850</u>

## 9. Creditors and accruals

The ageing analysis of the Group's trade creditors is as follows:

	<b>30th September, 2004</b>	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Below 30 days	<b>1,752</b>	1,926
31 - 60 days	<b>1,571</b>	965
61 - 90 days	<b>989</b>	193
Over 90 days	<b>645</b>	59
	<u><b>4,957</b></u>	<u>3,143</u>

## 10. Long-term borrowings

	<b>30th September, 2004</b>	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank loan	<b>239,000</b>	245,000
Current portion included in current liabilities	<b>(6,000)</b>	(6,000)
	<b><u>233,000</u></b>	<u>239,000</u>

The bank loan is repayable in the following periods:

	<b>30th September, 2004</b>	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>6,000</b>	6,000
In the second year	<b>8,000</b>	6,000
In the third to fifth year inclusive	<b>225,000</b>	233,000
	<b><u>239,000</u></b>	<u>245,000</u>

## 11. Other provisions

	<b>30th September, 2004</b>	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the period/year	<b>33,414</b>	37,032
Overprovision written back	–	(116)
Amount utilised	–	(3,502)
	<b><u>33,414</u></b>	<u>33,414</u>
Analysis of total provisions		
Current	<b>2,420</b>	2,420
Non-current	<b>30,994</b>	30,994
	<b><u>33,414</u></b>	<u>33,414</u>

The provisions represent the Group's undertakings in respect of construction costs and tax liability in relation to properties and property based investments sold in December 2001.

## 12. Share capital

	<b>30th September, 2004</b>	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Authorised</i>		
18,000,000,000 shares of HK\$0.05 each	<u><b>900,000</b></u>	<u>900,000</u>
<i>Issued and fully paid</i>		
1,024,439,690 shares of HK\$0.05 each	<u><b>51,222</b></u>	<u>51,222</u>

## 13. Contingent liabilities

As at 30th September, 2004, guarantees amounting to HK\$3.9 million (31st March, 2004: HK\$2.4 million) were given by a subsidiary to a bank for mortgage loans made by the bank to the purchasers of properties sold by the subsidiary.

## 14. Commitments

### (a) Capital commitments

As at 30th September, 2004, the Group had capital expenditure commitments contracted but not provided for amounting (net of deposits paid) to HK\$42,743,000 (31st March, 2004: HK\$4,118,000).

### (b) Operating leases rental payable

The future aggregate minimum lease rental expenses under non-cancellable operating leases in respect of land and buildings is payable in the following periods:

	<b>30th September, 2004</b>	31st March, 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>1,109</b>	1,686
In the second to fifth year inclusive	<u><b>173</b></u>	<u>487</u>
	<u><b>1,282</b></u>	<u>2,173</u>

## 15. Pledge of assets

As at 30th September, 2004, the Group has pledged the shares and assets of one of its subsidiaries, including an investment property, to secure general banking facilities granted to that subsidiary.

## INTERIM DIVIDEND

The Directors do not declare an interim dividend for the six months ended 30th September, 2004 (2003: Nil).

## MANAGEMENT DISCUSSIONS ON RESULTS

For the six months ended 30th September, 2004, the Group's turnover of HK\$28.3 million was largely maintained at the same level with that of the corresponding period. Turnover of the property division was about HK\$6.2 million (2003: HK\$7.2 million) and the manufacturing division was about HK\$19.9 million (2003: HK\$17.2 million).

Gross profit for the six months decreased by 29.5% to HK\$8.6 million (2003: HK\$12.2 million) as a result of pricing pressure faced by the manufacturing division. During the period, administrative expenses decreased by 0.4% to HK\$17.3 million and other operating expenses also reduced by 53% to HK\$0.5 million. In view of the low interest rates prevailing during the period, savings in finance costs by 37.4% were achieved. In addition, share of profits of associated companies also increased by 40.9% to HK\$18.6 million (2003: HK\$13.2 million), contributed by the improved results of Midas International Holdings Limited ("Midas"). Taking into account these factors, the Group recorded a profit attributable to shareholders of HK\$6.2 million, which increased by 19.8% when compared with the last corresponding period.

## REVIEW OF OPERATIONS

### 1. Property Division

#### (a) *The People's Republic of China (the "PRC")*

##### (i) Changsha, Hunan (54% owned)

During the period under review, the Group acquired an effective 54% interests in a company which owns the development rights of a site with an area of about 10.8 million sq. ft. located in Changsha, the Hunan Province.

Changsha is the capital city of the Hunan Province and has a population of about 6 million. Changsha accounted for about 20% of the GDP of the Hunan Province, and plays a significant role in driving the economic growth of the Hunan Province.

The site is located in Changsha County and is about 4 kilometres from the new offices of the provincial government of the Hunan Province. Development of the entire site will be carried out in stages. Initially, land cost for a site area of about 1 million sq. ft. has been paid, and the relevant land use right has been obtained. The Group is commencing on the master planning of the scope of development.

(ii) Chuang's New City, Shatian, Dongguan, Guangdong (100% owned)

(1) Chuang's Administration Office

The Group is constructing a 4-storey complex building in Dongguan, having a gross floor area of about 46,000 sq. ft., which will be the Group's headquarter in the Pearl River Delta and the marketing office for the property development in Dongguan. Interior finishing works for the complex building are in progress and expected to complete in around early 2005.

(2) Gold Coast

During the period, the Group is making satisfactory progress with Gold Coast, the Phase II development of Chuang's New City in Dongguan, which will comprise a complex of 374 residential units with an aggregate gross floor area of 610,000 sq. ft., and 374 car parking spaces, with amenity clubhouse with a gross floor area of 65,000 sq. ft. and a swimming pool. Superstructure works of Gold Coast are progressing satisfactorily. Marketing of Gold Coast is expected to commence in the first quarter of 2005.

(3) Phase III

Phase III of the development of Chuang's New City in Dongguan is in the planning stage.

(b) *Hong Kong*

The Group owns the entire interests in Chuang's Tower which is located at the heart of Central, having a total area of 60,587 sq. ft. of commercial and office spaces. During the period, the property leasing market in Hong Kong has improved. Occupancy rate has improved to 98% and rental income from Chuang's Tower during the period amounted to HK\$5.8 million, which represented a steady source of income to the Group.

## **2. Manufacturing Division**

(a) *Midas (44.3% owned)*

Midas is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and its subsidiaries are engaged in books printing, paper products printing and property investment. For the six months ended 30th June, 2004, Midas recorded a turnover of HK\$307.7 million, representing an increase of 12.1% as compared with the last corresponding period. Profit attributable to shareholders increased to about HK\$22.2 million, representing an increase of 9.5% as compared with the last corresponding period.

On 28th October, 2004, a wholly owned subsidiary of Midas entered into a conditional agreement with its joint venture partner in the PRC in relation to the disposal of its 51% interests in Chengdu Chuang's Centre Development Company Limited which holds the 7-storey commercial podium and basements of Chengdu Chuang's Centre. Pursuant to the disposal, Midas will receive RMB100 million in cash and will hold the entire 6th floor of Chengdu Chuang's Centre for investment purpose. The disposal by Midas will give rise to an estimated gain of approximately HK\$8.2 million. The disposal is subject to approval by the shareholders of Midas at an extraordinary general meeting to be held on 9th December, 2004.

(b) *Yuen Sang Hardware Company (1988) Limited ("Yuen Sang") (100% owned)*

During the period under review, the turnover of Yuen Sang increased by about 15.9% to HK\$19.9 million. In view of the soar in commodity prices during the period under review, the margin of Yuen Sang was severely affected and resulted in a net loss of HK\$0.4 million as compared with profit contribution of HK\$1.2 million in last period. In light of this unstable operating environment, Yuen Sang continues to lower its operating expenses, and develop new product mix and new market segments.

(c) *CNT Group Limited ("CNT") (12.8% owned)*

CNT is listed on the Stock Exchange, and its subsidiaries are principally engaged in the manufacture and sale of paint products under its own brand names "Flower", "Giraffe", "Toy Brand" and "Denis" etc., focusing on the Hong Kong and PRC market. The Group considers that the petrochemical business has tremendous long-term prospects, in particular, the potential of the PRC market. The Group intends to hold its interests in CNT as a long-term strategic investment.

## **NET ASSET VALUE**

As at 30th September, 2004, net assets of the Group amounted to HK\$1,509.1 million, equivalent to approximately HK\$1.47 per share.

## **FINANCING**

As at 30th September, 2004, the Group's bank balances and cash amounted to HK\$204.5 million. Bank borrowings of the Group as at the same date amounted to HK\$239.0 million. The debt to equity ratio of the Group (expressed as a percentage of bank borrowings net of bank balances and cash over total net assets of the Group) as at 30th September, 2004 was approximately 2.3%. During the period under review, Midas has redeemed HK\$50 million of the preference shares held by the Group in cash. At present, the Group holds nominal value of HK\$48.5 million preference shares of Midas that are redeemable by Midas in cash at any time up to 14th December, 2006. The preference shares carry an annual preferred dividend rate of 2.5% on a cumulative basis. The redemption of these preference shares will provide additional working capital to the Group.

About 87% of the Group's bank balances and cash were in Hong Kong dollar or United States dollar with the balance of 13% in Renminbi. Risk in exchange rate fluctuation would not be material.

All of the Group's bank borrowings were in Hong Kong dollar. About 2.5% of the Group's bank borrowings were repayable within one year, 3.4% repayable in the second year and the balance of 94.1% repayable in the third to fifth year.

## **PROSPECTS**

The recovery of the Hong Kong economy is well on its way with business activities revitalised. In the PRC, its economy maintains a steady growth despite the implementation of macro-economic regulatory measures, which will lead to the development of the property market in a healthier and more regulated manner.

Looking ahead, the economic environment in the Pearl River Delta is very favourable. The Directors believe that the introduction of CEPA and Pan-PRD Regional Cooperation Framework Agreement will speed up the integrated development among the Pearl River Delta, Guangzhou and Hong Kong. Such improving business environment will boost the economy and the property demand in the Pan-PRD region. The recent rise in interest rates in the PRC may have short-term effect on the property market, but the fundamental needs of an improved living condition in the PRC remain strong and generate substantial genuine demand for housing. In view of the sustained economic growth, the Group will focus on developing quality low cost housing in the PRC. With our quality land bank of about 40 million sq. ft. of development area in Dongguan, Guangzhou and Huizhou and the newly acquired land reserve in Changsha, the Group is optimistic about its future growth and prospects.

On the manufacturing investments, the Group believes that the PRC's role as the world's manufacturing hub and its accession to the WTO will further fuel the continuous growth of the manufacturing sectors. The Group will identify suitable opportunities to expand our manufacturing businesses in the PRC.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September, 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which have been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors and chief executive of the Company would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Interests in the Company		
	Number of shares	Capacity	Percentage of shareholding
Dr. Hwang Jen	523,923	Beneficial owner	0.05
Mr. Chan Sheung Chiu	4,000,000	Beneficial owner	0.39
Mr. Lee Sai Wai	1,600,000	Beneficial owner	0.16
Mr. Sunny Pang Chun Kit	500,000	Beneficial owner	0.05

### Interests in Chuang's Consortium International Limited (“CCIL”)

Name of Director	Number of shares	Capacity	Percentage of shareholding
Mr. Chan Sheung Chiu	163,055,848	<i>Note 1</i>	11.03
Mr. Lee Sai Wai	163,055,848	<i>Note 2</i>	11.03
Dr. Peter Po Fun Chan	751,187	Beneficial owner	0.05

*Note 1: Interests in 162,332,624 shares in CCIL arose by attribution through his spouse who is a discretionary object of a discretionary trust which owned such shares. The remaining interests in 723,224 shares in CCIL is beneficially owned by the director.*

*Note 2: Interests in 162,332,624 shares in CCIL arose by attribution through his spouse who is a discretionary object and the trustee of a discretionary trust which owned such shares. The remaining interests in 723,224 shares in CCIL is beneficially owned by the director.*

During the period under review, none of the Directors and chief executive of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.



Other than as disclosed herein, as at 30th September, 2004, none of the Directors and chief executive of the Company had any interests or short position in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

## **SUBSTANTIAL SHAREHOLDERS**

So far as is known to any Directors or chief executive of the Company and save as disclosed in the section headed “Directors’ interests and short positions in shares, underlying shares and debentures” above, as at 30th September, 2004, the interests and short positions of person in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein were as follows:

<b>Name of Shareholder</b>	<b>Number of shares of the Company</b>	<b>Capacity</b>	<b>Percentage of shareholding</b>
CCIL	615,695,645	Interest of controlled corporation	60.10
Profit Stability Investments Limited	615,695,645	Beneficial owner	60.10

Save as disclosed above, as at 30th September, 2004, there was no other person who was recorded in the register of the Company as having interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register referred to therein.

## **SHARE OPTION SCHEME**

On 26th August, 2002, a share option scheme (“Share Option Scheme”) was adopted by the Company. The purpose of the Share Option Scheme is to recognize the contribution of the eligible persons as defined in the scheme including, inter alia, any employees, Directors of the Company and its subsidiaries (the “Eligible Persons”), to the growth of the Group and to further motivate the Eligible Persons to continue to contribute to the Group’s long-term prosperity. No options have been granted under the Share Option Scheme since its adoption.

## **STAFF**

As at 30th September, 2004, the Group employed 154 staff. In addition, the subcontracting factories of the Group have 1,019 workers. The Group provides its staff with other benefits including discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

## **DEALING IN THE COMPANY’S SECURITIES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed shares during the period.

## **CORPORATE GOVERNANCE**

During the six months ended 30th September, 2004, none of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) except that the non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Bye-laws of the Company.

The Board wishes to take this opportunity to welcome Dr. Peter Po Fun Chan to join as an independent non-executive Director of the Company.

An audit committee has been established by the Company to review and supervise the Company’s financial reporting process and internal controls. The current members of the audit committee are the three independent non-executive Directors, Dr. Hwang Jen, Mr. David Chu Yu Lin and Dr. Peter Po Fun Chan. The interim report has been reviewed by the audit committee of the Company.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules.

## **GENERAL**

As at the date hereof, Mr. Chan Sheung Chiu, Miss Ann Li Mee Sum, Mr. Lee Sai Wai, Mr. Tang Wing Lun and Mr. Sunny Pang Chun Kit are executive Directors, Dr. Hwang Jen, Mr. David Chu Yu Lin and Dr. Peter Po Fun Chan are independent non-executive Directors of the Company.

By Order of the Board of  
**Chuang's China Investments Limited**  
**Ann Li**  
*Managing Director*

Hong Kong, 2nd December, 2004